

GARVEY SCHOOL DISTRICT
OF LOS ANGELES COUNTY
ROSEMEAD, CALIFORNIA

AUDIT REPORT
June 30, 2008

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FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund	23
Statement of Fiduciary Net Assets – Fiduciary Funds	24
Notes to Basic Financial Statements	25

SUPPLEMENTARY INFORMATION SECTION

Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Non-major Special Revenue Funds	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Special Revenue Funds	43
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-major Special Revenue Funds	44
Balance Sheet – Non-major Debt Service Fund	47
Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-major Debt Service Fund	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Non-major Debt Service Fund	49
Combining Balance Sheet – Non-major Capital Projects Funds	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Capital Projects Funds	51
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Non-major Capital Projects Funds	52

SUPPLEMENTARY INFORMATION SECTION (Continued)

History and Organization	54
Schedule of Average Daily Attendance	55
Schedule of Instructional Time	56
Schedule of Excess Sick Leave	57
Schedule of Financial Trends and Analysis	58
Schedule of Expenditures of Federal Awards	59
Notes to the Schedule of Expenditures of Federal Awards	61
Reconciliation of Unaudited Actual Report with Audited Financial Statements.....	62
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64
Independent Auditor's Report on State Compliance.....	66
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	68

FINDINGS AND RECOMMENDATIONS SECTION

Schedule of Audit Findings and Questioned Costs	71
Summary Schedule of Prior Audit Findings.....	75

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Garvey School District
Rosemead, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garvey School District (District) as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Garvey School District at June 30, 2008, and the respective changes in financial position, where applicable, thereof and the budgetary comparison for the General Fund for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

The District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*, effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2008, on our consideration of the Garvey School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Garvey School District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Garvey School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 9, 2008

GARVEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

This discussion and analysis of Garvey School District's financial performance provides an overview of the District's financial activities for the fiscal year ending June 30, 2008. Please read it in conjunction with the independent auditor's report, notes to the basic financial statements, and the basic governmental-wide financial statements, which immediately follow this section, in order to enhance the understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The District's financial status improved overall as a result of this year's operations. Net assets of governmental activities increased by \$975,479, or 2.69%.
- Governmental expenses were \$69.4 million. Revenues and Other Financing Sources were \$73 million.
- The District spent \$7.9 million in new capital assets during the year. These expenditures were incurred primarily from bond funds and State School Building Lease-Purchase Funds.
- The District increased its outstanding long-term debt by nearly \$8.9 million, primarily due to a bond issuance of \$9,997,964.
- Grades K-8 average daily attendance (ADA) decreased by 118, or 1.92%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1. Organization of Garvey School District's
Annual Financial Report**

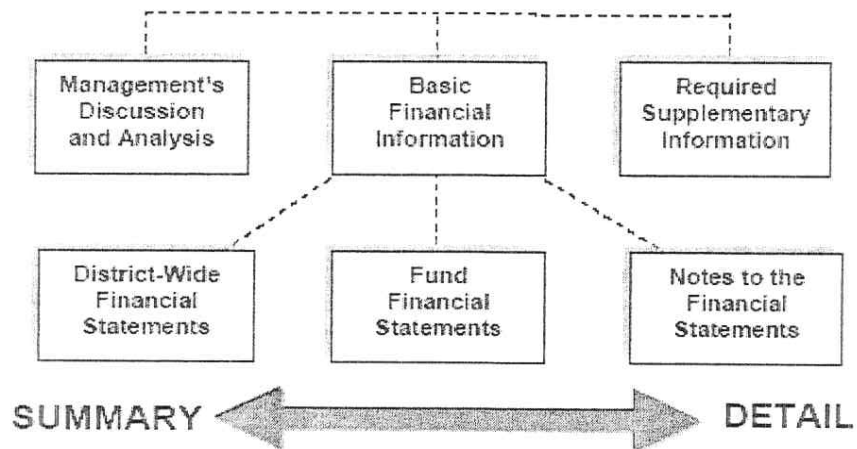


Figure A-2 summarizes the major features of the District's financials statements, including what portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the government-wide financial statements, the District's activities are categorized as Governmental Activities. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like Federal grants).

GARVEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide reconciliation of the governmental funds to the government-wide statements that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets on June 30, 2008 were \$37,244,123. (See Table A-1.)

Table A-1.

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2008	2007	
Current and other assets	\$ 37.1	\$ 35.7	\$ 1.5
Capital assets	54.2	47.2	7.0
Total assets	91.4	82.9	8.5
Long-term debt outstanding	48.2	39.3	8.9
Other liabilities	5.9	7.3	(1.3)
Total liabilities	54.2	46.6	7.6
Net assets			
Invested in capital assets, net of related debt	22.9	23.3	(0.4)
Restricted	8.9	20.2	(11.3)
Unrestricted	5.6	(7.2)	12.8
Total net assets	\$ 37.3	\$ 36.3	\$ 1.1

The District's improved financial position is mainly the result of \$8.9 million invested in capital improvements (net of depreciation expense).

GARVEY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

Changes in net assets, governmental activities. The District's total revenues were \$63.6 million (See Table A-2). The issuance of \$9 million in general obligation bonds increased assets and long-term liabilities by a like amount, so had no effect on net assets in 2007-08.

The total cost of all programs and services was \$62.6 million. Of this amount, 81% was related to educating and caring for students. The purely administrative activities of the District accounted for approximately 5.2% of total costs.

Table A-2.

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2008	2007	
Total Revenues	\$ 63.6	\$ 64.5	\$ (0.9)
Total Expenses	62.6	60.6	2.0
Increase (decrease) in net assets	\$ 1.0	\$ 3.9	\$ (2.9)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$31.5 million, an increase above last year's ending fund balance of \$28 million. The receipt of bond money into the Building Fund accounted for most of the increase.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$6.1 million primarily to reflect federal and state budget actions.
- Non-personnel expenses – increased \$1.8 million to re-budget carryover funds.

While the District's final budget for the General Fund anticipated expenditures in excess of revenues by about \$0.8 million, the actual results for the year show revenues in excess of expenditures by \$1 million. Actual revenues were \$2.6 million less than anticipated, but expenditures were \$4.4 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2008 and will be carried over into the 2008-09 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007-08 the District had invested \$8.9 million in new capital assets. (Information about capital assets can be found in Note 7 to the financial statements.) Total depreciation expense for the year exceeded \$1.9 million.

Table A-3 Capital Assets at Year-End, Net of Depreciation

	Governmental Activities (In millions)		Variance Increase (Decrease)
	2008	2007	
Land	\$ 1.7	\$ 1.7	\$ -
Site improvements	5.7	5.9	(0.2)
Buildings	44.6	38.8	5.8
Machinery and Equipment	1.2	0.9	0.3
Work in progress	0.0	0.0	-
Total	\$ 53.2	\$ 47.3	\$ 5.9

The District's fiscal year 2008-09 capital budget projects spending another \$11.1 million for capital projects, principally for utility upgrades, building and site improvements in response to the Americans with Disabilities Act, and cafeteria expansions at the older elementary schools.

Long-Term Debt

At year-end the District had \$48.2 million in general obligation bonds, capital leases, compensated absences, and the PARS supplementary retirement plan – an increase of 22.6% from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements.)

Table A-4 Outstanding Long-Term Debt at Year-End

	Total School District (In millions)		Variance Increase (Decrease)
	2008	2007	
General obligation bonds	\$ 43.9	\$ 35.2	\$ 8.7
Accreted interest payable	2.3	1.5	0.8
Capital leases	0.2	0.4	(0.2)
Compensated absences	0.9	0.9	-
PARS supplementary retirement plan	0.9	1.3	(0.4)
Total	\$ 48.2	\$ 39.3	\$ 8.9

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is currently financially sound, but may face a number of fiscal challenges in the future. Along with many other school districts in Los Angeles County, the District is in a period of declining K-12 enrollment. This decline is attributable to the continued decline of the County's birth rate and other factors, such as housing costs. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make timely adjustments to fixed operating costs.

In addition to declining enrollment, the District also faces fiscal challenges due to its dependence upon State revenues, which are driven by the State's economy.

The District's fiscal team continuously monitors information, data, and forecasts of the State's economy, revenue, and budgetary proposals. District planners use this information to make decisions that will maintain the financial stability of the District.

The District's systems of budgeting and internal controls are well-regarded and will be used to meet the District's future financial challenges.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (626) 307-3404.

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GARVEY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

Assets	Governmental Activities
Cash in county treasury	\$ 29,312,530
Revolving cash fund	30,000
Accounts receivable	7,618,148
Inventories, at cost	145,663
Prepaid items	589
Other assets	9,397
Deferred charges, net of accumulated amortization	1,037,032
Land	1,742,212
Capital assets, net of depreciation	<u>51,507,890</u>
Total Assets	<u>91,403,461</u>
Liabilities	
Accounts payable	3,618,083
Interest payable	349,965
Deferred revenue	1,980,518
Long-term liabilities:	
Due within one year	1,397,345
Due in more than one year	<u>46,813,427</u>
Total Liabilities	<u>54,159,338</u>
Net Assets	
Invested in capital assets, net of related debt	22,923,983
Restricted for:	
Capital projects	5,560,059
Educational programs	3,301,382
Unrestricted	<u>5,458,699</u>
Total net assets	<u><u>\$ 37,244,123</u></u>

See notes to basic financial statements

GARVEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 34,973,881	\$ 312,800	\$ 11,343,039	\$ 201,372
Instruction-related services:				
Supervision of instruction	4,989,549	82,080	4,420,509	
Instructional library, media, and technology	408,746	8,559	222,441	
School site administration	3,169,246	7	6,537	
Pupil services:				
Home-to-school transportation	471,972		242,429	
Food services	3,122,705	333,791	2,980,361	
All other pupil services	3,385,126	67,068	1,613,442	
General administration:				
Centralized data processing	446,236			
All other general administration	2,823,509	19,907	753,951	
Plant services	4,966,204	29,302	391,717	
Interest on long-term debt	1,647,527			
Other outgo	321,251	3,694	191,742	
Unallocated depreciation	1,914,622			
Total governmental activities	<u>\$ 62,640,574</u>	<u>\$ 857,208</u>	<u>\$ 22,166,168</u>	<u>\$ 201,372</u>

General revenues:

Taxes and subventions:

Taxes levied for general purposes

Taxes levied for debt service

Tax levied for other specific purposes

Federal and state aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of fiscal year

Net assets end of fiscal year

See notes to basic financial statements

GARVEY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2008

	General Fund	Building Fund	County School Facilities Fund	Other Governmental Funds
Assets				
Cash in county treasury	\$ 5,838,491	\$ 13,425,491	\$ 4,358,370	\$ 5,690,178
Revolving cash fund	30,000			
Accounts receivable:				
Federal and state governments	5,820,493			883,966
Other	374,882	74,511	42,287	422,009
Due from other funds	817,824			197,784
Inventory, at cost	111,773			33,890
Prepaid items	589			
Other assets	9,397			
Total assets	<u>\$ 13,003,449</u>	<u>\$ 13,500,002</u>	<u>\$ 4,400,657</u>	<u>\$ 7,227,827</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 2,500,656	\$ 796,722	\$ 59,439	\$ 261,266
Due to other funds	197,784			817,824
Deferred revenue	1,885,218			95,300
Total liabilities	<u>4,583,658</u>	<u>796,722</u>	<u>59,439</u>	<u>1,174,390</u>
Fund balances:				
Reserved for revolving fund	30,000			
Reserved for inventory	111,773			33,890
Reserved for prepaid items	589			
Reserved for debt service				1,245,665
Reserved for legally restricted balances	3,301,381			1
Unreserved:				
Designated	2,932,618			
Undesignated	2,043,430	12,703,280	4,341,218	4,773,881
Total fund balances	<u>8,419,791</u>	<u>12,703,280</u>	<u>4,341,218</u>	<u>6,053,437</u>
Total liabilities and fund balances	<u>\$ 13,003,449</u>	<u>\$ 13,500,002</u>	<u>\$ 4,400,657</u>	<u>\$ 7,227,827</u>

See notes to basic financial statements

Total
Governmental
Funds

\$ 29,312,530
30,000

6,704,459

913,689

1,015,608

145,663

589

9,397

\$ 38,131,935

\$ 3,618,083

1,015,608

1,980,518

6,614,209

30,000

145,663

589

1,245,665

3,301,382

2,932,618

23,861,809

31,517,726

\$ 38,131,935

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GARVEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balances - governmental funds	\$ 31,517,726
--	---------------

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 73,833,499
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Accumulated depreciation	<u>(20,583,397)</u>
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Net	53,250,102
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In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred.

(349,965)

In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are amortized over the life of the debt. Unamortized debt issue costs report as deferred charges on the statement of net assets are:

1,037,032

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported.
Long-term liabilities relating to governmental activities consist of:

Compensated absences payable	\$ (951,226)
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General obligation bonds payable	(42,766,019)
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Premium	(1,108,915)
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Accreted interest payable	(2,292,759)
---------------------------	-------------

Capital leases payable	(191,497)
------------------------	-----------

PARS supplementary retirement plan	<u>(900,356)</u>
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Total	<u>(48,210,772)</u>
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Total net assets, governmental activities	<u>\$ 37,244,123</u>
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GARVEY SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2008

	General Fund	Building Fund	County School Facilities Fund	Other Governmental Funds
Revenues:				
Revenue Limit Sources:				
State apportionments	\$ 30,903,104	\$ -	\$ -	\$ -
Local sources	2,458,968			
Federal	5,767,115			5,900,661
Other state	10,191,253			632,578
Other local	4,367,719	421,269	201,372	2,772,014
Total revenues	53,688,159	421,269	201,372	9,305,253
Expenditures:				
Certificated salaries	25,355,786			1,155,680
Classified salaries	8,080,557			2,341,504
Employee benefits	9,264,987			1,136,755
Books and supplies	3,124,388	3,383		1,502,194
Contracted services and other operating expenses	6,696,210	1,128,029		408,232
Capital outlay	131,005	6,542,816		559,399
Other outgo	(140,584)			461,835
Debt service	196,743			1,500,084
Total expenditures	52,709,092	7,674,228		9,065,683
Excess of revenues over (under) expenditures	979,067	(7,252,959)	201,372	239,570
Other Financing Sources (Uses):				
Transfers in				309,226
Transfers out	(19,226)	(290,000)		
Proceeds from bond premium		369,507		
Proceeds from sale of bonds		8,997,964		
Total other financing sources (uses)	(19,226)	9,077,471		309,226
Change in fund balances	959,841	1,824,512	201,372	548,796
Fund balances, July 1, 2007	7,459,950	10,878,768	4,139,846	5,504,641
Fund balances, June 30, 2008	\$ 8,419,791	\$ 12,703,280	\$ 4,341,218	\$ 6,053,437

See notes to basic financial statements

Total
Governmental
Funds

\$ 30,903,104
2,458,968
11,667,776
10,823,831
7,762,374

63,616,053

26,511,466
10,422,061
10,401,742
4,629,965

8,232,471
7,233,220
321,251
1,696,827

69,449,003

(5,832,950)

309,226
(309,226)
369,507
8,997,964

9,367,471

3,534,521

27,983,205

\$ 31,517,726

GARVEY SCHOOL DISTRICT**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**For the Fiscal Year Ended June 30, 2008

Total net change in fund balances - governmental funds		\$ 3,534,521
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$7,896,062 exceeds depreciation expense \$(1,914,622) in the period.		5,981,440
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		
General obligation bonds payable	\$ 645,000	
Capital leases payable	<u>181,997</u>	826,997
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increase to liabilities. Amounts recognized in governmental funds as proceeds from debt, plus issue premiums, were:		(8,997,964)
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. This is the amount by which debt issue costs recognized in the current period \$369,507 is greater than the amortization for the period \$32,355.		337,152
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(780,828)
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		(14,300)
In government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples included special termination benefits such as retirement incentives financed over time. This year, expenses incurred for such obligations were:		422,482
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as other financing sources or other financing uses in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. This is the amount by which premium recognized in the current period \$369,507 is greater than the amortization for the period \$35,485		<u>(334,021)</u>
Changes in net assets of governmental activities		<u>\$ 975,479</u>

See notes to basic financial statements

GARVEY SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL****GENERAL FUND**

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State apportionments	\$ 31,017,356	\$ 31,009,670	\$ 30,903,104	\$ (106,566)
Local sources	2,325,211	2,328,654	2,458,968	130,314
Federal	6,759,860	7,462,050	5,767,115	(1,694,935)
Other state	10,000,259	11,583,587	10,191,253	(1,392,334)
Other local	3,924,090	3,990,636	4,367,719	377,083
Total revenues	54,026,776	56,374,597	53,688,159	(2,686,438)
Expenditures:				
Certificated salaries	25,884,428	26,274,616	25,355,786	918,830
Classified salaries	8,298,959	8,516,455	8,080,557	435,898
Employee benefits	9,480,662	9,444,852	9,264,987	179,865
Books and supplies	3,701,874	4,969,945	3,124,388	1,845,557
Contracted services and other operating expenses	7,193,103	7,678,652	6,696,210	982,442
Capital outlay	87,961	188,680	131,005	57,675
Other outgo	(7,610)	(72,610)	(140,584)	67,974
Debt service	196,743	196,743	196,743	
Total expenditures	54,836,120	57,197,333	52,709,092	4,488,241
Excess of revenues over (under) expenditures	(809,344)	(822,736)	979,067	1,801,803
Other Financing Sources (Uses):				
Transfers in		15,700		(15,700)
Transfers out			(19,226)	(19,226)
Total other financing sources (uses)		15,700	(19,226)	(34,926)
Change in fund balance	(809,344)	(807,036)	959,841	1,766,877
Fund balance, July 1, 2007	7,459,950	7,459,950	7,459,950	
Fund balance, June 30, 2008	\$ 6,650,606	\$ 6,652,914	\$ 8,419,791	\$ 1,766,877

See notes to basic financial statements

GARVEY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Agency Funds		Totals
	Payroll Clearance Fund	Student Body Funds	
Assets			
Cash in county treasury	\$ 403,253	\$ -	\$ 403,253
Cash on hand and in banks		85,984	85,984
Total assets	403,253	85,984	489,237
Liabilities			
Accounts payable	403,253		403,253
Due to student groups		85,984	85,984
Total liabilities	403,253	85,984	489,237
Net Assets			
Unrestricted			
Total net assets	\$ -	\$ -	\$ -

See notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The reporting entity is the Garvey School District. There are no component units included in this report which meet the reporting entity definition criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differ from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within one year after fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds as follows:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

The County School Facilities Fund is used to account for state apportionment provided under the SB50 School Facilities Program for construction and modernization of school facilities.

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains three non-major special revenue funds:

1. The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
2. The Cafeteria Fund is used to account for revenues received and expenditures incurred to operate the District's food service operations.
3. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The District maintains one non-major debt service fund.

1. The Bond Interest and Redemption Fund is used to account for the accumulation of resources from and the repayment of, District bond, interest, and related costs.

Capital Projects Funds are used to account for the acquisition and/or construction of major governmental capital assets. The District maintains two nonmajor capital project funds:

1. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. The State School Building Lease-Purchase Fund is used to account for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains two agency funds, one for payroll clearance purposes and one for student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported for student body funds represent the combined totals of all schools within the District that maintain a student body fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

H. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq.. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Los Angeles County Treasury was not available.

2. Inventories and Prepaid Items

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's central warehouse and cafeteria inventory are valued at First-in-First-out (FIFO).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, and Equity (Continued)

3. Amortization of Bond Issuance Expenses and Related Premium and Discounts

The cost of issuance of bonds and related premium and discounts are being amortized on the straight line method over the life of the bonds on the government-wide statements.

4. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more, and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	15-20 years
Vehicles	8 years

5. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

6. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable. Unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, and Equity (Continued)

8. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserve for revolving fund and reserve for stores inventory reflect the portions of fund balance represented by revolving fund cash, stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

9. Net Assets

The government-wide and fiduciary statement of net assets includes three equity categories entitled net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The invested in capital assets, net of related debt category presents the District's equity interest in capital assets less outstanding principal of related debt. The restricted net assets category is designed to reflect net assets that are subject to restrictions beyond the District's control (externally imposed or imposed by law). The unrestricted net assets category equals any remaining balance and can be subdivided into designated and undesignated portions. Designations reflect the District's self-imposed limitations on the use of otherwise available current financial resources. The District had no net assets which were restricted by enabling legislation.

I. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those reported.

K. New Accounting Pronouncements

The District implemented the requirements of GASB Statements No. 48 and No. 50 during the fiscal year ended June 30, 2008.

GASB Statement No. 48

This statement is effective for periods beginning after December 15, 2006 and establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. Implementation of GASB Statement No. 48 did not have an impact on the District's basic financial statements for the fiscal year ended June 30, 2008.

GASB Statement No. 50

For the fiscal year ended June 30, 2008, the District implemented GASB Statement No. 50, "Pension Disclosures – an Amendment of GASB Statements No. 25 and No. 27". The statement is effective for periods beginning after June 15, 2007. This statement establishes and modifies requirements related to financial reporting by pension plans and by employers that provide defined benefit and defined contribution pension plans.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2008, consisted of the following:

Cash in banks	\$ 115,984
Cash and investments with County Treasury	29,715,783
	<hr/>
Total cash and investments	\$ 29,831,767
	<hr/>

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash in County Treasury, statement of net assets	\$ 29,312,530
Cash in revolving fund, statement of net assets	30,000
Cash in County Treasury, statement of fiduciary net assets	403,253
Cash on hand and in bank, statement of fiduciary net assets	85,984
	<hr/>
Total cash and investments	\$ 29,831,767
	<hr/>

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool (\$29,715,783 as of June 30, 2008). The fair value of this pool as of June 30, 2008 as provided by the plan sponsor, was \$29,715,783. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$85,984) and in the revolving fund (\$30,000) are insured up to \$100,000 by the Federal Depository Insurance Corporation. These accounts are held within various financial institutions.

Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in the local government investment pool administered by the County of Los Angeles. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Carrying Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Los Angeles County Investment Pool	\$ 29,715,783	\$ 29,715,783	\$ -	\$ -	\$ -
Total	\$ 29,715,783	\$ 29,715,783	\$ -	\$ -	\$ -

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Los Angeles County Investment Pool	\$ 29,715,783	N/A	\$ -	\$ -	\$ -	\$ -	\$ 29,715,783
Total	\$ 29,715,783		\$ -	\$ -	\$ -	\$ -	\$ 29,715,783

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represents 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2008, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Los Angeles County Investment Pool).

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's expenditures exceeded appropriations in individual funds as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Nonmajor Funds:	
Cafeteria Fund	
Other Outgo	\$ 15,700
Capital Facilities Fund	
Contracted services and other operating expenses	14,451

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2008, consist of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Federal Government:					
Categorical aid programs	\$ 2,190,751	\$ -	\$ -	\$ 835,496	\$ 3,026,247
State Government:					
Revenue limit	2,231,265				2,231,265
Lottery	292,734				292,734
Categorical aid programs	1,105,743			48,470	1,154,213
Local:					
Interest	193,865	73,489	42,287	53,914	363,555
Miscellaneous	181,017	1,022		368,095	550,134
Totals	<u>\$ 6,195,375</u>	<u>\$ 74,511</u>	<u>\$ 42,287</u>	<u>\$ 1,305,975</u>	<u>\$ 7,618,148</u>

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

A. Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2008, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Fund:		
General Fund	\$ 817,824	\$ 197,784
Non-major Governmental Funds:		
Child Development Fund	70,805	407,775
Cafeteria Fund	126,979	400,369
Capital Facilities Fund		9,680
Totals	<u>\$ 1,015,608</u>	<u>\$ 1,015,608</u>

B. Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2007–2008 fiscal year are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 19,226
Building Fund		290,000
Non-major Governmental Funds:		
Child Development Fund	19,226	
Deferred Maintenance Fund	290,000	
Totals	<u>\$ 309,226</u>	<u>\$ 309,226</u>

NOTE 6 – FUND BALANCES

The following amounts were designated by the governing board for the purposes below:

	<u>General Fund</u>
Economic uncertainties	\$ 1,581,854
PARS retirement	409,856
Mandated costs	714,362
Site discretionary	168,554
CSIS match	53,000
Student identifier	4,992
Total	<u>\$ 2,932,618</u>

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2008, is shown below:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 1,742,212	\$ -	\$ -	\$ 1,742,212
Total capital assets not being depreciated	1,742,212			1,742,212
Capital assets being depreciated:				
Improvement of sites	8,349,776	105,697		8,455,473
Buildings	53,501,652	7,417,964		60,919,616
Equipment	2,343,797	372,401		2,716,198
Total capital assets being depreciated	64,195,225	7,896,062		72,091,287
Accumulated depreciation for:				
Improvement of sites	(2,414,536)	(296,762)		(2,711,298)
Buildings	(14,765,906)	(1,549,430)		(16,315,336)
Equipment	(1,488,333)	(68,430)		(1,556,763)
Total accumulated depreciation	(18,668,775)	(1,914,622)		(20,583,397)
Total capital assets being depreciated, net	45,526,450	5,981,440		51,507,890
Governmental activity capital assets, net	\$ 47,268,662	\$ 5,981,440	\$ -	\$ 53,250,102

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Unallocated	\$ 1,914,622

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2008, is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amounts Due Within One Year
General obligation bonds	\$ 34,413,055	\$ 8,997,964	\$ (645,000)	\$ 42,766,019	\$ 720,000
Original issue premium	774,894	369,507	(35,485)	1,108,916	45,163
Accreted interest payable	1,494,187	798,572		2,292,759	
Capital leases	373,494		(181,997)	191,497	191,497
PARS supplementary retirement plan	1,322,838		(422,482)	900,356	440,685
Compensated absences	936,926	14,300		951,226	
Totals	\$ 39,315,394	\$ 10,180,343	\$ (1,284,964)	\$ 48,210,773	\$ 1,397,345

A. General Obligation Bonds

Election of 2000

On November 7, 2000, an election was held, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of \$15 million of general obligation bonds. The county has the power and is obligated to annually levy ad valorem taxes upon all property subject to taxation by the District, for the payment of principal and interest on the bonds.

NOTE 8 – LONG-TERM DEBT (Continued)

A. General Obligation Bonds (Continued)

Election of 2000 (Continued)

On April 19, 2001, the District issued a General Obligation Bond in the amount of \$7,999,903. The bonds were issued to repair and construct school facilities within the District. The bonds consist of: a) Current Interest Serial Bonds of \$5,530,000 with interest rates ranging from 3.30% to 5.10% and fully maturing in August 1, 2022, b) Current Interest Term Bonds of \$1,940,000 with a stated interest rate of 5.25% due on August 1, 2025, and c) Capital Appreciation Bonds of \$529,903 with yields to maturity ranging between 4.95% and 5.22% and fully maturing on August 1, 2014. At June 30, 2008 the principal balance outstanding was \$7,039,903. The accreted interest on capital appreciation bonds balance was \$407,746.

On March 12, 2004, the District issued Series B of the election of 2000 General Obligation Bonds in the amount of \$6,999,519. The bonds were issued to fund the repair of school facilities. The bonds consist of Current Interest Serial Bonds of \$2,655,000 with interest rates ranging from 2.5% to 3.875% and fully maturing on August 1, 2020, and Capital Appreciation Bonds of \$4,344,519 with yields to maturity ranging between 4.73% to 5.11% and fully maturing on August 1, 2033. At June 30, 2008, the principal balance outstanding was \$6,557,716, which includes \$163,197 of unamortized original premium. The accreted interest on capital appreciation bonds balance was \$1,165,521.

Election of 2004

On November 2, 2004, an election was held, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$30 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of the interest on, and the principal of the bonds. Bond proceeds will be used for the purpose of financing the addition and modernization of school facilities.

On June 10, 2005, the District issued Series 2005, in the amount of \$9,998,736. The issue consisted of: a) Current Interest Bonds of \$9,450,000 with stated interest rates ranging from 3.0% to 4.25% and fully maturing on August 1, 2025, and b) Capital Appreciation Bonds of \$548,736 with yields to maturity ranging from 4.84% to 4.94% and fully maturing on August 1, 2029. At June 30, 2008, the outstanding balance on the bonds was \$9,589,952, which includes \$256,216 of unamortized bond issue premium. The accreted interest on capital appreciation bonds balance was \$117,168.

On December 21, 2006, the District issued Series 2006, in the amount of \$10,999,898. The issue consisted of: a) Current Interest Bonds of \$2,785,000 with stated interest rates ranging from 4.00% to 4.50% and fully maturing on August 1, 2020, and b) Capital Appreciation Bonds of \$8,214,898 with yields to maturity ranging from 3.65% to 6.22% and fully maturing on August 1, 2031. At June 30, 2008, the outstanding balance on the bonds was \$11,320,774, which includes \$320,876 of unamortized bond issue premium. The accreted interest on capital appreciation bonds balance was \$573,550.

On June 4, 2008, the District issued Series 2008, in the amount of \$8,997,964. The issue consisted of: a) Current Interest Bonds of \$680,000 with stated interest rates ranging from 3.00% to 4.00% and fully maturing on August 1, 2018, and b) Capital Appreciation Bonds of \$8,317,964 with yields to maturity ranging from 4.25% to 5.38% and fully maturing on August 1, 2042. At June 30, 2008, the outstanding balance on the bonds was \$9,366,590, which includes \$368,626 of unamortized bond issue premium. The accreted interest on capital appreciation bonds balance was \$28,774.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 8 – LONG-TERM DEBT (Continued)

A. General Obligation Bonds (Continued)

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2008, are as follows:

<u>Fiscal Year</u> <u>Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 720,000	\$ 846,075	\$ 1,566,075
2010	809,721	846,354	1,656,075
2011	890,463	833,890	1,724,353
2012	1,009,560	964,583	1,974,143
2013	835,668	1,085,554	1,921,222
2014-2018	7,195,222	3,761,079	10,956,301
2019-2023	9,836,556	4,338,827	14,175,383
2024-2028	8,691,286	9,362,527	18,053,813
2029-2033	7,079,318	15,292,011	22,371,329
2034-2038	3,966,608	11,513,281	15,479,889
2039-2043	1,731,617	12,207,982	13,939,599
Total	<u>\$ 42,766,019</u>	<u>\$ 61,052,163</u>	<u>\$ 103,818,182</u>

B. Capital Leases

The District leases equipment for energy retrofit valued at \$2,014,934 under an agreement that provides for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Lease</u> <u>Payment</u>
2008-2009	<u>196,495</u>
Total	196,495
Less Amount Representing Interest	<u>(4,998)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 191,497</u>

The District will receive no sublease rental revenues nor pay any contingent rentals for the equipment, classrooms, or buses.

C. PARS Supplementary Retirement Plan (SRP)

The District approved the implementation of a PARS Supplementary Retirement Plan (SRP) effective February 1, 2006. This tax qualified governmental defined benefit plan is to provide supplemental retirement benefits to eligible employees of the District in addition to the benefits employees will receive from the California State Teachers' Retirement System (STRS). The SRP will generate a fiscal savings based on the salary different of the retiring employee and a new hire. For the fiscal year ended June 30, 2008, a total of \$900,356 will be required to be funded over the next three fiscal years. This amount has been reflected as part of the District's long-term debt obligations.

NOTE 9 - JOINT VENTURES

The District is a member of two joint powers agencies (JPAs): the Mountain View, El Monte City, Rosemead, Garvey, and El Monte Union High School Districts (MERGE) public entity risk pool, and the Alliance of Schools for Cooperative Insurance Program (ASCIP). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

GARVEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2008

NOTE 9 - JOINT VENTURES (Continued)

The MERGE JPA provides worker's compensation, property, and liability insurance for its member districts. ASCIP provides dental coverage, vision care, and life insurance for its member school districts. The MERGE JPA is governed by a board consisting of one representative from each member district. The governing board controls the operations of the JPA, independent of any influence by the member districts. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionally to its participation in the JPA.

Condensed unaudited financial information is as follows:

	Audited MERGE June 30, 2007*	(Unaudited) ASCIP June 30, 2007*
Total Assets	\$ 19,118,178	\$ 187,300,436
Total Liabilities	8,504,499	122,434,181
Total Net Assets	<u>\$ 10,613,679</u>	<u>\$ 64,866,255</u>
Total Revenues	\$ 7,454,389	\$ 162,002,583
Total Expenditures	5,956,738	135,255,025
Net Income (Loss)	<u>\$ 1,497,651</u>	<u>\$ 26,747,558</u>

* Current year financial information was unavailable.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District's assets, errors and omissions, employee injuries and natural disasters. The District participates in public entity risk pools, as described in Note 9, for claims in excess of insured amounts for workers' compensation and property and liability losses. The District purchases commercial insurance for other types of risk. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

B. Postemployment Benefits Other Than Pension Benefits

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 20 years of service. Currently, 110 retirees are receiving benefits under this program. The District pays the premiums incurred on behalf of the retirees. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the fiscal year, expenditures of \$312,268 were incurred for retiree health benefits.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certified employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS.

The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The contribution rate for the fiscal year 2007-2008 was 9.306%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$749,109, \$740,263, and \$742,937, respectively, which represents 100% of the required contributions for each fiscal year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS' annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2007-2008 was 8.25% of the salary of active plan members. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$2,163,306, \$2,161,849, and \$2,045,704, respectively, and equal 100% of the required contributions for each fiscal year.

On-Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS for the fiscal year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local education agencies not to record these amounts in the Annual Financial and Budget Report. These amounts also have not been recorded in these financial statements.

SUPPLEMENTARY INFORMATION SECTION

GARVEY SCHOOL DISTRICT
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Totals
Assets				
Cash in county treasury	\$ 38,320	\$ 396,660	\$ 2,684,160	\$ 3,119,140
Accounts receivable:				
Federal and state governments	52,649	831,317		883,966
Other	375,832	8,939	23,289	408,060
Due from other funds	70,805	126,979		197,784
Inventory, at cost		33,890		33,890
Total assets	<u>\$ 537,606</u>	<u>\$ 1,397,785</u>	<u>\$ 2,707,449</u>	<u>\$ 4,642,840</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 62,023	\$ 68,310	\$ 20,132	\$ 150,465
Due to other funds	407,775	400,369		808,144
Deferred revenue	67,807	27,493		95,300
Total liabilities	<u>537,605</u>	<u>496,172</u>	<u>20,132</u>	<u>1,053,909</u>
Fund balances:				
Reserved for inventory		33,890		33,890
Reserved for legally restricted balance	1			1
Unreserved:				
Undesignated		867,723	2,687,317	3,555,040
Total fund balances	<u>1</u>	<u>901,613</u>	<u>2,687,317</u>	<u>3,588,931</u>
Total liabilities and fund balances	<u>\$ 537,606</u>	<u>\$ 1,397,785</u>	<u>\$ 2,707,449</u>	<u>\$ 4,642,840</u>

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GARVEY SCHOOL DISTRICT**NON-MAJOR SPECIAL REVENUE FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

For the Fiscal Year Ended June 30, 2008

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Totals
Revenues:				
Federal	\$ 3,037,544	\$ 2,863,117	\$ -	\$ 5,900,661
Other state	379,409	247,721	(11,898)	615,232
Other local	403,174	387,531	106,759	897,464
Total revenues	3,820,127	3,498,369	94,861	7,413,357
Expenditures:				
Certificated salaries	1,155,680			1,155,680
Classified salaries	1,196,305	1,145,199		2,341,504
Employee benefits	787,381	349,374		1,136,755
Books and supplies	100,782	1,305,227	66,523	1,472,532
Contracted services and other operating expenses	183,110	116,758	66,355	366,223
Capital outlay	143,967	184,449	102,167	430,583
Other outgo	272,221	172,434		444,655
Total expenditures	3,839,446	3,273,441	235,045	7,347,932
Excess of revenues over (under) expenditures	(19,319)	224,928	(140,184)	65,425
Other Financing Sources (Uses):				
Transfers in	19,226		290,000	309,226
Total other financing sources (uses)	19,226		290,000	309,226
Net change in fund balances	(93)	224,928	149,816	374,651
Fund balances, July 1, 2007	94	676,685	2,537,501	3,214,280
Fund balances, June 30, 2008	\$ 1	\$ 901,613	\$ 2,687,317	\$ 3,588,931

GARVEY SCHOOL DISTRICT
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Child Development Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal	\$ 3,015,774	\$ 3,037,544	\$ 21,770
Other state	475,279	379,409	(95,870)
Other local	435,620	403,174	(32,446)
Total revenues	3,926,673	3,820,127	(106,546)
Expenditures:			
Certificated salaries	1,183,533	1,155,680	27,853
Classified salaries	1,255,679	1,196,305	59,374
Employee benefits	787,381	787,381	
Books and supplies	100,782	100,782	
Contracted services and other operating expenses	183,110	183,110	
Capital outlay	143,967	143,967	
Other outgo	272,221	272,221	
Total expenditures	3,926,673	3,839,446	87,227
Excess of revenues over (under) expenditures		(19,319)	(19,319)
Other Financing Sources (Uses):			
Transfers in		19,226	19,226
Total other financing sources (uses)		19,226	19,226
Net change in fund balances		(93)	(93)
Fund balances, July 1, 2007	94	94	
Fund balances, June 30, 2008	\$ 94	\$ 1	\$ (93)

Cafeteria Fund			Deferred Maintenance Fund		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 2,848,325	\$ 2,863,117	\$ 14,792	\$ -	\$ -	\$ -
257,629	247,721	(9,908)	238,352	(11,898)	(250,250)
372,693	387,531	14,838	108,000	106,759	(1,241)
3,478,647	3,498,369	19,722	346,352	94,861	(251,491)
1,155,979	1,145,199	10,780			
369,628	349,374	20,254			
1,375,887	1,305,227	70,660	170,000	66,523	103,477
116,759	116,758	1	110,000	66,355	43,645
184,451	184,449	2	810,000	102,167	707,833
156,734	172,434	(15,700)			
3,359,438	3,273,441	85,997	1,090,000	235,045	854,955
119,209	224,928	105,719	(743,648)	(140,184)	603,464
(15,700)		15,700	290,000	290,000	
(15,700)		15,700	290,000	290,000	
103,509	224,928	121,419	(453,648)	149,816	603,464
676,685	676,685		2,537,501	2,537,501	
\$ 780,194	\$ 901,613	\$ 121,419	\$ 2,083,853	\$ 2,687,317	\$ 603,464

(Continued)

GARVEY SCHOOL DISTRICT
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2008

	Totals		Variance
	Final Budget	Actual	Positive (Negative)
Revenues:			
Federal	\$ 5,864,099	\$ 5,900,661	\$ 36,562
Other state	971,260	615,232	(356,028)
Other local	916,313	897,464	(18,849)
Total revenues	7,751,672	7,413,357	(338,315)
Expenditures:			
Certificated salaries	1,183,533	1,155,680	27,853
Classified salaries	2,411,658	2,341,504	70,154
Employee benefits	1,157,009	1,136,755	20,254
Books and supplies	1,646,669	1,472,532	174,137
Contracted services and other operating expenses	409,869	366,223	43,646
Capital outlay	1,138,418	430,583	707,835
Other outgo	428,955	444,655	(15,700)
Total expenditures	8,376,111	7,347,932	1,028,179
Excess of revenues over (under) expenditures	(624,439)	65,425	689,864
Other Financing Sources (Uses):			
Transfers in	274,300	309,226	34,926
Total other financing sources (uses)	274,300	309,226	34,926
Net change in fund balances	(350,139)	374,651	724,790
Fund balances, July 1, 2007	3,214,280	3,214,280	
Fund balances, June 30, 2008	\$ 2,864,141	\$ 3,588,931	\$ 724,790

GARVEY SCHOOL DISTRICT
NON-MAJOR DEBT SERVICE FUND
BALANCE SHEET
June 30, 2008

	Bond Interest and Redemption Fund
Assets	
Cash in county treasury	\$ 1,245,665
Total assets	<u>\$ 1,245,665</u>
 Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ -
Total liabilities	<u> </u>
Fund balance:	
Reserved for debt service	<u>1,245,665</u>
Total fund balance	<u>1,245,665</u>
Total liabilities and fund balance	<u>\$ 1,245,665</u>

GARVEY SCHOOL DISTRICT
NON-MAJOR DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2008

	Bond Interest and Redemption Fund
Revenues:	
Other state	\$ 17,346
Other local	<u>1,539,389</u>
Total revenues	<u>1,556,735</u>
Expenditures:	
Debt service	<u>1,500,084</u>
Total expenditures	<u>1,500,084</u>
Change in fund balance	56,651
Fund balance, July 1, 2007	<u>1,189,014</u>
Fund balance, June 30, 2008	<u><u>\$ 1,245,665</u></u>

GARVEY SCHOOL DISTRICT
NON-MAJOR DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Bond Interest and Redemption Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other state	\$ -	\$ 17,346	\$ 17,346
Other local	1,472,156	1,539,389	67,233
Total revenues	1,472,156	1,556,735	84,579
Expenditures:			
Debt service	1,506,985	1,500,084	6,901
Total expenditures	1,506,985	1,500,084	6,901
Change in fund balance	(34,829)	56,651	91,480
Fund balances, July 1, 2007	1,189,014	1,189,014	
Fund balances, June 30, 2008	<u>\$ 1,154,185</u>	<u>\$ 1,245,665</u>	<u>\$ 91,480</u>

GARVEY SCHOOL DISTRICT
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	Capital Facilities Fund	State School Building Lease-Purchase Fund	Totals
Assets			
Cash in county treasury	\$ 1,005,581	\$ 319,792	\$ 1,325,373
Accounts receivable:			
Other	9,682	4,267	13,949
Total assets	<u>\$ 1,015,263</u>	<u>\$ 324,059</u>	<u>\$ 1,339,322</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 72,137	\$ 38,664	\$ 110,801
Due to other funds	9,680		9,680
Total liabilities	<u>81,817</u>	<u>38,664</u>	<u>120,481</u>
Fund balances:			
Unreserved:			
Undesignated	933,446	285,395	1,218,841
Total fund balances	<u>933,446</u>	<u>285,395</u>	<u>1,218,841</u>
Total liabilities and fund balances	<u>\$ 1,015,263</u>	<u>\$ 324,059</u>	<u>\$ 1,339,322</u>

GARVEY SCHOOL DISTRICT
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2008

	Capital Facilities Fund	State School Building Lease-Purchase Fund	Totals
Revenues:			
Other local	\$ 335,161	\$ -	\$ 335,161
Total revenues	335,161		335,161
Expenditures:			
Books and supplies	29,555	107	29,662
Contracted services and other operating expenses	41,951	58	42,009
Capital outlay	22,271	106,545	128,816
Other outgo	17,180		17,180
Total expenditures	110,957	106,710	217,667
Net change in fund balances	224,204	(106,710)	117,494
Fund balances, July 1, 2007	709,242	392,105	1,101,347
Fund balances, June 30, 2008	\$ 933,446	\$ 285,395	\$ 1,218,841

GARVEY SCHOOL DISTRICT
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2008

	Capital Facilities Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 337,000	\$ 335,161	\$ (1,839)
Total revenues	337,000	335,161	(1,839)
Expenditures:			
Books and supplies	43,500	29,555	13,945
Contracted services and other operating expenses	27,500	41,951	(14,451)
Capital outlay	212,500	22,271	190,229
Other outgo	17,550	17,180	370
Total expenditures	301,050	110,957	190,093
Excess of revenues over (under) expenditures	35,950	224,204	188,254
Other Financing Sources (Uses):			
Transfers in			
Total other financing sources (uses)			
Net change in fund balances	35,950	224,204	188,254
Fund balances, July 1, 2007	709,242	709,242	
Fund balances, June 30, 2008	\$ 745,192	\$ 933,446	\$ 188,254

State School Building Lease-Purchase Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ 337,000	\$ 335,161	\$ (1,839)
			337,000	335,161	(1,839)
107	107		43,607	29,662	13,945
58	58		27,558	42,009	(14,451)
289,835	106,545	183,290	502,335	128,816	373,519
			17,550	17,180	370
290,000	106,710	183,290	591,050	217,667	373,383
(290,000)	(106,710)	183,290	(254,050)	117,494	371,544
290,000		(290,000)	290,000		(290,000)
290,000		(290,000)	290,000		(290,000)
	(106,710)	(106,710)	35,950	117,494	81,544
392,105	392,105		1,101,347	1,101,347	
\$ 392,105	\$ 285,395	\$ (106,710)	\$ 1,137,297	\$ 1,218,841	\$ 81,544

GARVEY SCHOOL DISTRICT
HISTORY AND ORGANIZATION
June 30, 2008

The Garvey School District was established in 1892, and is comprised of an area of approximately six square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current fiscal year. The District is currently operating ten elementary schools and two intermediate schools.

GOVERNING BOARD

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Henry Lo	President	November , 2011
Bob Bruesch	Vice President	November , 2009
M. Janet Chin	Clerk	November , 2011
John Yuen	Member	November , 2009
Irene Flores	Member	November , 2009

DISTRICT ADMINISTRATORS

Virginia Peterson,
Superintendent

Dolores Preciado,
Deputy Superintendent, Pupil Services and Special Education

Michael Coughlin,
Assistant Superintendent, Business Services

Anita Chu
Assistant Superintendent, Instructional Services

Genaro Alarcon
Assistant Superintendent, Human Resources

GARVEY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2008

	Revised Second Period Report	Annual Report
Regular Elementary		
Kindergarten	543	544
Grades 1 thru 3	1,846	1,847
Grades 4 thru 6	1,917	1,918
Grades 7 thru 8	1,318	1,310
Special Education	187	189
Home and Hospital	1	1
Opportunity School	3	4
Total Average Daily Attendance	<u>5,815</u>	<u>5,813</u>

<u>Supplemental Instructional Hours</u>	<u>Hours of Attendance</u>
Elementary	96,493

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

GARVEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
June 30, 2008

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2007-08 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	31,500	36,000	48,868	180	Complied
Grade 1	41,790	50,400	50,403	180	Complied
Grade 2	41,790	50,400	50,403	180	Complied
Grade 3	41,790	50,400	50,403	180	Complied
Grade 4	51,460	54,000	54,013	180	Complied
Grade 5	51,460	54,000	54,013	180	Complied
Grade 6	51,460	54,000	54,013	180	Complied
Grade 7	54,960	54,000	58,653	180	Complied
Grade 8	54,960	54,000	58,653	180	Complied

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Educational Code Section 46201.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Section 46200 through 46206.

GARVEY SCHOOL DISTRICT
SCHEDULE OF EXCESS SICK LEAVE
June 30, 2008

The Garvey School District does not provide more than 12 sick leave days in a school year to any (superintendent, other high level administrator, teacher) CalSTRS member.

GARVEY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
June 30, 2008

<u>General Fund</u>	<u>(Budget)</u> <u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues and other financial sources	\$ 54,560,159	\$ 53,688,159	\$ 54,497,631	\$ 49,169,223
Expenditures	52,949,464	52,709,092	51,130,840	48,500,986
Other uses and transfer out		19,226	30,028	10,657
Total outgo	52,949,464	52,728,318	51,160,868	48,511,643
Change in fund balance	1,610,695	959,841	3,336,763	657,580
Ending fund balance	\$ 10,030,486	\$ 8,419,791	\$ 7,459,950	\$ 4,123,187
Available reserves ¹	\$ 6,194,609	\$ 3,625,284	\$ 2,496,282	\$ 1,999,588
Available reserves as a percentage of total outgo	11.7%	6.9%	4.9%	4.1%
Total long-term debt	\$ 46,813,428	\$ 48,210,773	\$ 39,315,394	\$ 28,963,054
Average daily attendance at P-2	5,660	5,815	6,020	6,138

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

The General Fund balance has increased by \$4,296,604 over the past two years. The fiscal year 2008-2009 adopted budget projects an increase of \$1,610,695. For a district this size, the state recommends available reserve of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

Average daily attendance has decreased by 323 over the past two years. An additional loss of 155 ADA is anticipated during the fiscal year 2008-2009.

¹ Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

GARVEY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CDA Number</u>	<u>Federal Expenditures</u>
Federal Programs:		
U.S. Department of Agriculture:		
Passed through California Dept. of Education (CDE):		
School Breakfast Program	10.553	\$ 530,813
National School Lunch	10.555	2,220,934
Summer Food Program	10.559	111,370
Total U.S. Department of Agriculture		<u>2,863,117</u>
U.S. Department of Education:		
Passed through California Dept. of Education (CDE):		
No Child Left Behind (NCLB):		
Title I, Part A, Basic Grants	84.010	3,369,781
Title I, Migrant Education, Mini-Corps Project	84.011	7,448
Title II, Part A, Improving Teacher Quality	84.367	630,871
Title II, Part B, California Math & Science	84.366	187,809
Title II, Part D, EETT Competitive	84.318	42,139
Title III, Limited English Proficiency	84.365	203,775
Title III, Immigrant Education	84.365	33,983
Title IV, Safe and Drug Free Schools	84.186	71,896
Title V - Innovative Strategies	84.298A	22,292
Local Assistance	84.027	909,376
Federal Preschool	84.173	38,797
Local Preschool	84.027A	50,792
Preschool Staff Development	84.173A	359
Total U.S. Department of Education		<u>5,569,318</u>
U.S. Department of Health and Human Services:		
Passed through California Dept. of Education (CDE):		
Quality Improvement-Playground Safety	93.575	1,488
School-Age Child Care Resource Contracts	93.575	2,104
Passed through Los Angeles County Office of Education:		
Head Start	93.600	3,033,952
Medi-Cal Administrative Activities	93.000	62,770
Medi-Cal Billing Option	93.778	125,148
Total U.S. Department of Health & Human Services		<u>3,225,462</u>
U.S. Department of Homeland Security:		
Passed through California Dept. of Education (CDE):		
FEMA Public	97.036	9,879
Total U.S. Department of Homeland Security		<u>9,879</u>
Total Expenditures of Federal Awards		<u>\$ 11,667,776</u>

See Notes to the Schedule of Expenditures of Federal Awards

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GARVEY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Garvey School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

Of the federal awards presented in the schedule, Garvey School District provided no federal awards to subrecipients.

GARVEY SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

	General Fund	Child Development Fund	Cafeteria Fund
June 30, 2008 Unaudited Actual Report Fund Balances	\$ 8,419,791	\$ 1	\$ 901,613
June 30, 2008 Audited Financial Statements Fund Balances	<u>\$ 8,419,791</u>	<u>\$ 1</u>	<u>\$ 901,613</u>

	Long-Term Debt
June 30, 2008 Unaudited Actual Report Total Liabilities	\$ 45,592,622
Understatement of premium	334,021
Understatement of accreted interest payable	2,292,759
Overstatement of compensated absences payable	<u>(8,629)</u>
June 30, 2008 Audited Financial Statements Long-Term Debt Total Liabilities	<u>\$ 48,210,773</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities as reported on the unaudited actual to the audited financial statements.



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Garvey School District
Rosemead, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garvey School District (the District) as of and for the fiscal year ended June 30, 2008, which collectively comprise the Garvey School District's basic financial statements and have issued our report thereon dated December 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	State School Building Lease-Purchase Fund	County School Facilities Fund	Bond Interest and Redemption Fund
<u>\$ 2,687,317</u>	<u>\$ 12,703,280</u>	<u>\$ 933,446</u>	<u>\$ 285,395</u>	<u>\$ 4,341,218</u>	<u>\$ 1,245,665</u>
<u><u>\$ 2,687,317</u></u>	<u><u>\$ 12,703,280</u></u>	<u><u>\$ 933,446</u></u>	<u><u>\$ 285,395</u></u>	<u><u>\$ 4,341,218</u></u>	<u><u>\$ 1,245,665</u></u>

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim
Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 9, 2008



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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Garvey School District
Rosemead, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Garvey School District as of and for the fiscal year ended June 30, 2008, which collectively comprise the Garvey School District's basic financial statements and have issued our report thereon dated December 9, 2008. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures in Panel's Audit Guide	Procedures Performed
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see next page)
Continuation Education	10	Not Applicable
Adult Education	9	Not Applicable
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8	1	Yes
9-12	1	Not Applicable

Description	Procedures in Panel's Audit Guide	Procedures Performed
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State Facilities Funds	1	Not applicable
Excess Sick Leave	2 or 3	Yes
Notice of Right To Elect California State Teachers Retirement System (CalSTRS) Membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Not applicable
Districts or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not applicable
Contemporaneous Records of Attendance, for charter schools	1	Not applicable
Mode of Instruction, for charter schools	1	Not applicable
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	Not applicable
Annual Instructional Minutes – Classroom Based, for charter schools	3	Not applicable

We did not perform testing for independent study because the independent study ADA was under the level which requires testing.

Based on our audit, we found that, for the items tested, the Garvey School District complied with the State laws and regulations referred to above, except as described in the findings and recommendations section of this report. The District's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit District's response and, accordingly, we express no opinion on it. Further, based on our examination, for the items not tested, nothing came to our attention to indicate that the District had not complied with the State laws and regulations.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, and the Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 9, 2008



MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Garvey School District
Rosemead, California

Compliance

We have audited the compliance of the Garvey School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008. Garvey School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Garvey School District's management. Our responsibility is to express an opinion on the Garvey School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Garvey School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the Garvey School District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 9, 2008

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FINDINGS AND RECOMMENDATIONS SECTION

GARVEY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2008

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weaknesses	<u> </u> Yes	<u> X </u> None reported

Noncompliance material to financial statements noted Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weaknesses	<u> </u> Yes	<u> X </u> None reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a) Yes X No

Identification of major programs

CFDA Number (s)

 84.010
 84.027
 93.600

Name of Federal Program or Cluster

Title I Part A, Basic Grants
Special Education, IDEA
Head Start

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 350,333

Auditee qualified as low-risk auditee:

 X Yes No

State Awards

Internal control over state programs:

Material weakness(es) identified	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified not considered to be material weaknesses	<u> X </u> Yes	<u> </u> None reported

Type of auditor’s report issued on compliance for state programs:

Qualified

GARVEY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2008

Section II – Financial Statement Findings

There were no current year financial statement findings.

GARVEY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2008

Section III – Federal Award Findings

There were no current year federal award findings.

GARVEY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2008

Section IV – State Award Findings

FINDING #2008-1

ASES

40000

Finding:

During our review of the after school program, we noted that Woodcraft Rangers, the administrator of the after school program, did not adopt an early release policy until January 2008. Thereby, prior to formal adoption, the elementary pupils who left early from the program did not have proper approval.

Questioned Cost:

None.

Recommendation:

The District should ensure that Woodcraft Rangers adopts all the proper policies and adheres to all compliance requirements as stipulated by the California Department of Education.

District's Response:

The District will insure that Woodcraft Rangers puts into practices all procedures required by the California Department of Education.